



ASX Announcement

Thursday 12 November, 2009

Chairman's Address to 2009 AGM

As you are aware from my previous addresses, the company's immediate objective is to maximise its net tangible assets per share. In the year to 30 June 2009, through a combination of net earnings and share buyback, the company increased its net tangible assets per share from 33c at 30 June 2008 to 72c per share at 30 June 2009. In its profit guidance for the year to 30 June 2010, the company advised that in the 2010 year it expected to increase its net tangible assets per share by a further 16-18c per share.

Since the date of the Annual Report, National Australia Bank acquired \$440m of the company's mortgages at par. This acquisition by NAB was anticipated and will not affect the 2010 profit guidance above. With this exception, the company has continued to roll its warehouses as they fall due. The HVB litigation continues. We will update shareholders as soon as an outcome is known.

Whilst so long as the Australian Government continues to guarantee the borrowings of the banks, there will be no meaningful market for non-bank AAA rated RMBS securities and no effective competition from the non-bank mortgage sector. This lack of competition is being reflected in the increased market share and significantly widening net spreads presently being enjoyed by the four major banks. It is possible that over the next twelve months the Government will cease to guarantee the banks and that an RMBS market will commence to emerge. This might permit the company to refinance its warehouses on acceptable terms. It might also permit the company to commence to evaluate its future options as a non-bank mortgage lender.

As mentioned in the Annual Report, by 2011 the company's mortgage book will have reduced to a level at which it will cease to make a meaningful contribution to the company's tangible net worth. Until that time, the company's strategy will be:

- a) to continue to negotiate extensions of its funding facilities provided each extension will produce a positive benefit to the company
- b) to maximise its cash reserves to enable it to take advantage of a superior investment opportunity should such an opportunity arise

If an investment opportunity arises which your directors believe to be in the best interests of shareholders, then that opportunity will be presented to shareholders for their consideration. If by 2011 the company has not identified what it believes to be a superior investment opportunity, then your directors intend to distribute the company's funds to shareholders in an optimal manner.

Further media enquiries

Matthew Horan
0403 934 958